

# PURCHASING RESULTS BUDGETING PROCESS

## Modified for FY2007

The Governor's FY2007 budget was compiled using the Purchasing Results budgeting process first used on the FY2006 Budget but modified to align the Buying Teams with the Legislature's Appropriations Subcommittees and the I/3 Budget program was modified to remove Departments' base budgets, making this budget essentially Zero-based.

Traditional budgeting starts with last year's spending levels then adjusts some up and some down. In traditional budgeting, all the scrutiny is at the margin, the majority of spending is never questioned. Inertia maintains current spending levels. Good, new ideas rarely break through and mediocre programs rarely go away, even in bad budget times. The focus is on the price, not the results Iowans get for their money.

Purchasing Results is based on the familiar paradigm of Purchasers vs. Sellers. The Governor and Lt. Governor, then, in turn, the Legislature, take the role of *Purchasers* of government services. Purchasers start by determining how much they have to spend then purchasing the results Iowans expect. Departments take the role of *Sellers*, starting by figuring out what results they can sell then how much it will cost to deliver those results. The focus is on *Results* Iowans expect, for example: Reducing the number of impaired waterways, raising per capita personal income, raising the percent of children attending quality pre-school, etc., not the amount of office supplies purchased or the number of out-of-state trips planned. Purchasers strive to maximize *Value*, the most results for the lowest price. Conversely, Sellers have a strong incentive to offer value because value drives buyers' spending decisions.

The focus on Results is especially well suited in Iowa because the Accountable Government Act (Code Ch 8E) enacted in 2001 requires all State departments to prepare and file detailed performance plans annually and to report their results at the end of the year. Performance plans for all state departments were filed with the Department of Management for FY2004 through FY2006 and are available on the Results Iowa website <http://www.resultsiowa.org/index.html>. Final reports are available for FY2004 and FY2005.

## The Mechanics of Purchasing Results Process

### 1. Determine Results Areas and Indicators and select Buying Teams

Governor Vilsack and Lt. Governor Pederson start by listening to Iowans, whose input forms the basis for the list of *Results Areas* Iowans want and *Indicators*, measures of where we currently stand where we would like to move. An example of an Indicator, for Education, is the percentage of 4<sup>th</sup> grade students achieving "proficient" or higher in reading. The Governor and Lt. Governor have identified seven Results Areas and appointed Buying Teams made up of their staff, IDOM staff and some outside members which make recommendations to them and. Legislative appropriations subcommittees serve as the counterpart of a Buying Team.

### 2. Buying Teams Release Requests for Results

Buying Teams begin by preparing a Request for Results (RFR) which is the equivalent of a Request for Proposal (RFP) issued by a purchaser. The essential components of an RFR are: A statement of the desired Result, two – four indicators, a brief description of strategies with a strategy map to achieve the result. These can be customized and change from year to year. The RFRs are publicly released and posted on IDOM's website and sellers are given until a time certain to respond which corresponds to the October 1<sup>st</sup> deadline for departments to submit appropriations requests mandated in the Budget Act (Code Ch 8). Buying Teams encourage agencies to be creative, collaborate with others, and submit any offer they want, as long as it responds to an RFR. Existing activities are not exempted.

### 3. Sellers Prepare Offers

With the RFRs as their guide, agencies prepare *Offers* for the Buying Teams knowing that if they want to do something in FY2007, it has to be submitted as an Offer. The essential elements of an Offer are: A brief description, justification, performance measures, a price and revenue source. Agencies are encouraged to submit offers for each Service, Program or Activity (SPAs) identified in their Performance Plans however, this is not always a

perfect fit. Administrative expenses should be allocated among the offers in relation to that activity's proportion of the expense, however this will require negotiation when offers are actually accepted.

#### 4. Buying Teams Prepare Drilling Platforms

Buying Teams evaluate the Offers, negotiate with sellers for better deals, and rank the final offers in priority order as recommendations to the Governor and Lt. Governor. Each Buying Team has an allocation of the total appropriated revenues and can see how much of their prioritized list that allocation allows them to purchase. These lists, *Drilling Platforms*, include all state appropriated funds and show the Offers in priority order from top to bottom, with a line drawn to show where the money runs out. Drilling Platforms make the choices clear. Higher priority Offers are above the line and are recommended for funding. Lower priority Offers are below the line and cannot be funded with the money available.

#### 5. Legislative Committees Use of Purchasing Results

Legislative subcommittees will want to review the

RFRs and may want to meet with Buying Team leaders to discuss them. They will want to review the offers and meet with departments to negotiate their own set of results. When sellers appear before the subcommittee they should be prepared to justify their results and the cost. Legislative committees can reorder the priorities by moving Offers up or down the Drilling Platform. They can decide how many dollars should be available overall and how many should be allocated to each Result Area. Ultimately, they decide which Offers provide the best value for Iowans.

#### Benefits

Purchasing Results budget process has several advantages over traditional budgeting both for the administration and the Legislature. Departments are made to focus on the results and the value of their programs. It opens the door to competition and collaboration among departments which may administer programs directed at the same results area which can lead to departments identifying and voluntarily eliminating duplication. In subsequent years legislative subcommittees can evaluate a department's performance based on the specific results commitments.

### Alignment of Buying Teams with Appropriations Subcommittees

#### Buying Team

Student Achievement  
 Healthy Iowans  
 Transforming the Economy  
 Safe Communities  
 Natural Resources  
 Accountable Government  
 Transportation, Infrastructure & Capitals

#### Appropriations Subcommittee

Education  
 Health & Human Services  
 Economic Development  
 Justice Systems  
 Agriculture & Natural Resources  
 Administration & Regulation  
 Transportation, Infrastructure & Capitals

